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Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2025 (Six Months Ended September 30, 2024) (Based on J-GAAP)

November 5, 2024

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Scheduled date of filing Semi-annual Securities Report: November 7, 2024

Scheduled commencement date of dividend payout: -

Financial results supplementary explanatory documents: Yes

Financial results presentation: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2025 (April 1, 2024 – September 30, 2024)

(1) Consolidated results of operations (six months) (Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1H FY 2025	218,620	7.8	5,101	98.1	7,605	74.6	3,792	33.5
1H FY 2024	202,850	(4.7)	2,574	(29.1)	4,356	(22.9)	2,840	(31.4)

Note: Comprehensive income (million yen): 1H FY 2025: 3,616 / [23.9%] 1H FY 2024: 2,919 / [(33.5)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
1H FY 2025	67.92	—
1H FY 2024	50.91	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY 2025	246,139	78,893	32.1
FY 2024	248,260	77,404	31.2

Reference: Shareholders' equity (million yen): 1H FY 2025: 78,893 FY 2024: 77,334

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2024	—	37.50	—	37.50	75.00
FY 2025	—	0.00	—	—	—
FY 2025 (forecasts)	—	—	—	0.00	0.00

Note: Revisions to the dividend forecast most recently announced: None

As announced in the "Notice Regarding Revisions to Dividend Forecast for FY 2025 (No Dividend) and Abolishment of Shareholder Special Benefit Plan," dated September 30, 2024, since it is planned that the Company's shares will be delisted by way of a tender offer for own shares and prescribed procedures if the tender offer for the Company's shares by K.K. BCJ-82-1 (the "Tender Offer") is concluded, it was resolved that neither an interim dividend nor a year-end dividend will be provided for FY 2025, on the condition that the Tender Offer is concluded.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	418,400	(6.8)	8,800	9.3	14,300	15.4	8,000	14.1	143.31

Note: Revisions to the financial forecast most recently announced: None

Notes

- (1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 company (TG Farm Inc.)

Excluded: 6 companies (Relay2, Inc. and 5 other companies)

Note: For more details, please refer to “2. Semi-annual Consolidated Financial Statements and Notes (4) Notes to semi-annual consolidated financial statements (Change in the scopes of consolidation and application of the equity method).”

- (2) Application of accounting procedures specific to creation of semi-annual consolidated financial statements: None

- (3) Changes in accounting principles, estimates and restatements

1) Changes in accounting principles caused by revision of accounting standards, etc.: Yes

2) Changes in accounting principles other than those mentioned above: None

3) Changes in accounting estimates: None

4) Restatement: None

- (4) Number of shares issued and outstanding (common shares)

1) Number of issued shares (including treasury shares) at the end of the period

1H FY 2025	56,074,000 shares	FY 2024	56,074,000 shares
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2) Number of treasury shares at the end of the period

1H FY 2025	226,595 shares	FY 2024	253,709 shares
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3) Average number of shares outstanding during the period (six months)

1H FY 2025	55,831,289 shares	1H FY 2024	55,802,943 shares
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* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Cautionary statement with respect to forward-looking statements

(Disclaimer on forward-looking statements, etc.)

These materials contain forward-looking information including earnings projections based on information currently available to the Company and certain assumptions considered reasonable in the judgment of the Company. Nothing contained in these materials is meant to suggest that the Company promises to attain the said projections. Moreover, due to various factors, actual results may materially differ from projections.

(Concerning financial results supplementary explanatory documents)

Explanatory documents will be posted on the Company’s website in Japanese on the same day.

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1. Qualitative Information Concerning the First-Half Financial Results

(1) Explanation of operating performance

In the period under review (April to September 2024), although business conditions in Japan are poised to maintain gradual recovery amid an improving employment and income environment, careful attention is still needed as personal consumption appears to be stalling due to factors such as rising consumer prices resulting from the rapid depreciation of the yen, and as the risk of a downturn in overseas business conditions could weigh on the Japanese economy amid factors such as global political instability and concerns about the future of the Chinese economy.

Meanwhile, the market for mobile phone handsets, which is the main business field of the Company, has been transitioning to a more normal market as mobile phone handset discounts have been subject to restraints as a result of partial revision of the Regulations for Enforcement of Telecommunications Business Act (below, “Revision of Regulations”) having gone into effect in December 2023. On the other hand, rising prices of mobile phone handsets and escalating commodity prices have prompted a situation where sales of mobile phone handsets by major telecommunications carriers amounted to 28.07 million units in FY 2023, thereby falling below 30.00 million units for the first time since FY 2000. This suggests that the role expected of us and other mobile phone distributors is becoming increasingly significant, which includes engaging in various initiatives to stimulate consumer demand and offering new value propositions such as those that link with financial services, as telecommunications carriers are intensifying measures to encourage customers to switch carriers.

Under this business environment, the Company has been advancing “sustainability management” that places top priority on resolving social issues through its business. We are working toward achieving our vision of “creating a better future for our customers and contributing to society through ‘the desire to connect,’” while regularly monitoring KPIs of our “TG Material Issues,” which represent the Company’s core material issues.

Under our newly formulated Medium-Term Management Plan (FY 2025-FY 2027), we will transform our business by further incorporating a “market-in” approach of providing services from the customer’s perspective, in addition to our “product-out” approach thus far. In seeking to steadily implement our three growth strategies of “transforming into a customer-driven business,” “collaborating with strategic partner companies,” and “resolving social issues through community-based initiatives,” we have furthermore restructured the organization in establishing the Consumer Business Segment, Enterprise Business Segment, and Social Innovation & QUO Card Business Segment, effective from the fiscal year under review. Under our aim of further underpinning these growth strategies, we are also working to strengthen our business foundations through initiatives that include maintaining sound financial foundations, maximizing value of human capital, and increasing productivity through digitalization.

Consolidated business results of the Group (the Company, its consolidated subsidiaries and its equity-method affiliates) for the period under review marked net sales of 218,620 million yen (+7.8% year on year), with operating profit of 5,101 million yen (+98.1%). Ordinary profit marked 7,605 million yen (+74.6%) and profit attributable to owners of parent posted 3,792 million yen (+33.5%).

The Group achieved increases with respect to both sales and profit in the period under review due to market normalization in the Consumer Business Segment in 1Q FY 2025 and as a result of greater efficiency of shop operations having contributed substantially to increased profits compared with the same period of the previous fiscal year.

In the period under review, the Group posted an extraordinary loss of approximately 1,700 million yen in extra retirement payments and other payments associated with conducting solicitation of voluntary retirements. For more details, please refer to “Results of Soliciting Voluntary Retirements” that was released on August 28, 2024.

Results by business segment for the period under review are described below.

(Millions of yen)					
	Consumer Business Segment	Enterprise Business Segment	Social Innovation & QUO Card Business Segment	Others	Consolidated first-half financial results
Net sales	182,614 5.8%	20,836 6.7%	15,169 41.9%	— —	218,620 7.8%
Profit (loss) attributable to owners of parent	3,061 119.9%	533 67.6%	1,056 (4.7)%	(858) —	3,792 33.5%
Supplementary information – Operating profit (loss)	4,809 93.0%	796 38.2%	(768) —	263 —	5,101 98.1%

* Percentages represent year-over-year changes

[Consumer Business Segment]

The Consumer Business Segment is engaged in intermediary services specializing in contracts for telecommunications services, and other types of contracts provided by each telecommunications carrier, as well as the sales of smartphones, etc. It also engages in smartphone accessory sales, wholesaling, and other retail businesses.

For the Group's shops across Japan, we are aiming to realize shops that are "regional hubs for promoting digitalization" that connect customers with peace of mind, rather than mere "points of sale," and provide impressive experience to customers through high quality services and proposals with utility value that meets customer requirements.

The number of mobile phone contracts in the Consumer Business Segment was 1,437,000 (a decrease of 0.3% year on year), remaining at the same level as in the same period of the previous fiscal year. This was partly due to the appeal of mobile phone handset purchase programs (residual value guarantee programs) offered by each telecommunications carrier, despite the Revision of Regulations having imposed limits on discounts for individual mobile phone handsets amid persistently high mobile phone handset prices due to yen depreciation and increasing functionality of mobile phone handsets.

On the profit front, we achieved favorable results from our original products, especially security products, in addition to a smaller discount amounts due to Revision of Regulations. However, promotion expenses increased from the same period of the previous fiscal year, due to factors such as the deployment of demo units of new models and on-site sales activities.

At our carrier shops, there has been increased use of the Smart Online Support, which provides remote support for initial setup and instructions on smartphone use. We strive to increase customer satisfaction and make our operations more efficient through the provision of support tailored to each customer by specialist staff.

As a result, net sales marked 182,614 million yen (+5.8% year on year), with profit attributable to owners of parent of 3,061 million yen (+119.9%).

[Enterprise Business Segment]

The Enterprise Business Segment is engaged in the sales of smartphones, etc. to enterprise clients, the provision of solution services related to devices and network management services, etc., and sales and intermediary services specializing in optical communication line service contracts for enterprise clients and individual customers. The Group is expanding products and services to create a one-stop channel for meeting customers' requirements through its Life Cycle Management (LCM) which revolves around administrative and support services for device life cycles spanning from network and device procurement and introduction support for smart devices including PCs to infrastructure development, operations, maintenance, and replacement.

The number of mobile phone contracts in the Enterprise Business Segment was 172,000 (an increase of 13.3% year on year), partly due to renewals among major customers, but the gross profit margin on net sales decreased from the same period of the previous fiscal year amid a situation where products subject to low gross profit per unit constitute a higher proportion of sales.

The Company has reorganized its organization based on the company size of enterprise clients effective from the fiscal year under review, with the aim of providing optimal proposals tailored to each industry and company size with a focus on management based on a market-in perspective. In LCM, we have expanded our products and services and begun developing package services for small and medium-sized businesses, designed to resolve and support their industry-specific and company size-related challenges. Amid these efforts, the number of management IDs, particularly for network administrative services (movino star) and helpdesks, as well as the cumulative number of lines owned by the Company's own "TG Hikari" fiber-optics access service, surpassed those of the same period of the previous fiscal year, demonstrating continued robust performance.

In the renewable energy business, operated by the Company's subsidiary, services for the solar power generation PPA model for enterprise clients are being expanded.

As a result, net sales marked 20,836 million yen (+6.7% year on year), with profit attributable to owners of parent of 533 million yen (+67.6%).

[Social Innovation & QUO Card Business Segment]

The Social Innovation & QUO Card Business Segment engages through major nationwide convenience store chains in sales of PINs (prepaid codes) and gift cards, and also provides support for resolving issues in local communities. It also includes the Company's consolidated subsidiary QUO CARD Co., Ltd. which is tasked with the issuance and settlement of "QUO CARD" and "QUO CARD Pay" and the sales and repair/maintenance of card-handling equipment, etc.

In the payment service, whereas PIN and gift card transaction volumes were down compared with the same period of the previous fiscal year partly due to the diversification of payment methods, the volume of digital gift transactions has remained strong. Our original campaign support system for enterprise clients, "At Gift," released in June 2024, provides one-stop support for all aspects of digital gifts, from the provision of digital gifts to the planning and execution of campaigns.

The social innovation business collaborates with various local governments in providing support for resolving social issues through initiatives to promote the use of digital technology, including dispatching smartphone consultants to Katsuura City, Chiba Prefecture, and being commissioned by Nasushiobara City, Tochigi Prefecture to provide tourism business operations aimed at attracting foreign tourists from abroad. Meanwhile, selling, general and administrative expenses increased from the same period of the previous fiscal year and were largely in line with the full-year estimate due to effects of headcount expansion as a result of forming a specialized organization effective from the fiscal year under review along with upfront investments in various initiatives.

In the QUO Card Business, the amount of issuance for QUO CARD and QUO CARD Pay increased compared to the same period of the previous fiscal year, driven by greater adoption of these services in various campaigns and initiatives. In addition, we are continuing to focus on expanding our network of member stores, with efforts centered on QUO CARD Pay.

As a result, net sales marked 15,169 million yen (+41.9% year on year), with profit attributable to owners of parent of 1,056 million yen (-4.7%).

(2) Explanation of financial position
(Assets)

Current assets at the end of the period under review were 205,352 million yen, which was 292 million yen lower than at the end of the previous fiscal year. This was mainly due to a 20,656 million yen increase in operational investment securities, a 2,420 million yen increase in cash and deposits, a 12,880 million yen decrease in guarantee deposits, and a 7,149 million yen decrease in notes and

accounts receivable - trade. Non-current assets at the end of the period under review were 40,787 million yen, which was 1,828 million yen lower than at the end of the previous fiscal year. This was mainly due to a 1,184 million yen decrease in deferred tax assets.

As a result, total assets posted 246,139 million yen, which was 2,120 million yen lower than at the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the period under review were 163,880 million yen, which was 3,570 million yen lower than at the end of the previous fiscal year. This was mainly due to a 1,875 million yen decrease in current portion of long-term borrowings and a 1,259 million yen decrease in accounts payable - trade. Non-current liabilities at the end of the period under review were 3,364 million yen, which was 39 million yen lower than at the end of the previous fiscal year.

As a result, total liabilities posted 167,245 million yen, which was 3,610 million yen lower than at the end of the previous fiscal year.

(Net assets)

Net assets at the end of the period under review were 78,893 million yen, which was 1,489 million yen higher than at the end of the previous fiscal year. This was mainly due to 3,792 million yen recognized in profit attributable to owners of parent and 2,093 million yen in payment of dividends of surplus.

(3) Explanation of forward-looking information including the consolidated financial forecasts

Six months (April to September 2024) net sales represent 52.3% of the full-year estimate announced on May 9, 2024, with percentages for operating profit, ordinary profit, and profit attributable to owners of parent strong at 58.0%, 53.2%, and 47.4%, respectively.

However, the full-year estimate remains unchanged at this time due to uncertain market conditions in addition to changes made to the terms and conditions of commissions received from certain telecommunications carriers effective from 1H FY 2025. We will appropriately disclose any revisions to the full-year estimate, taking into account factors such as trends in financial results going forward.

As announced in the “Notice Regarding Revisions to Dividend Forecast for FY 2025 (No Dividend) and Abolishment of Shareholder Special Benefit Plan,” dated September 30, 2024, since it is planned that the Company’s shares will be delisted by way of a tender offer for own shares and prescribed procedures if the tender offer for the Company’s shares by K.K. BCJ-82-1 (the “Tender Offer”) is concluded, it was resolved that neither an interim dividend nor a year-end dividend will be provided for FY 2025, on the condition that the Tender Offer is concluded.

For more details, please refer to “2. Semi-annual Consolidated Financial Statements and Notes (4) Notes to semi-annual consolidated financial statements (Additional information)” and the Company’s press releases.

“Notice of Statement of Opinion Regarding the Tender Offer for Shares of the Company by K.K. BCJ-82-1”

<https://pdf.irpocket.com/C3738/n85z/umVK/Feoh.pdf>

<https://pdf.irpocket.com/C3738/EAzE/BZok/xWTh.pdf> (in Japanese)

“Notice Regarding Revisions to Dividend Forecast for FY 2025 (No Dividend) and Abolishment of Shareholder Special Benefit Plan”

<https://pdf.irpocket.com/C3738/EAzE/BZok/Lkcn.pdf> (in Japanese)

“Notice Regarding Plans for Commencement of Tender Offer for Own Shares”

<https://pdf.irpocket.com/C3738/EAzE/BZok/fmTQ.pdf> (in Japanese)

2. Semi-annual Consolidated Financial Statements and Notes

(1) Semi-annual consolidated balance sheets

(Millions of yen)

		FY 2024 (As of March 31, 2024)		1H FY 2025 (As of September 30, 2024)
Assets				
Current assets				
Cash and deposits		45,022		47,443
Notes and accounts receivable - trade	*1	27,094	*1	19,944
Operational investment securities	*2	15,500	*2	36,156
Inventories	*3	24,260	*3	22,343
Accounts receivable - other	*1	11,945	*1	10,274
Guarantee deposits	*2	79,170	*2	66,290
Other		2,673		2,917
Allowance for doubtful accounts		(22)		(18)
Total current assets		205,644		205,352
Non-current assets				
Property, plant and equipment		5,334		5,334
Intangible assets				
Goodwill		14,868		14,373
Software		4,321		4,625
Contract-related intangible assets		1,125		1,091
Other		1,029		959
Total intangible assets		21,345		21,050
Investments and other assets		15,936		14,402
Total non-current assets		42,615		40,787
Total assets		248,260		246,139
Liabilities				
Current liabilities				
Accounts payable - trade	*1	10,569	*1	9,309
Accounts payable - other	*1	16,662	*1	16,539
Income taxes payable		2,087		1,226
Refund liability		104		89
Provision for bonuses		2,631		2,467
Provision for loss on business liquidation		248		78
Card deposits		131,665		133,074
Other		3,481		1,095
Total current liabilities		167,451		163,880
Non-current liabilities				
Years of service gratuity reserve provisions		194		79
Retirement benefit liability		580		522
Asset retirement obligations		2,071		2,148
Other		557		614
Total non-current liabilities		3,403		3,364
Total liabilities		170,855		167,245
Net assets				
Shareholders' equity				
Share capital		3,154		3,154
Capital surplus		5,165		5,178
Retained earnings		68,720		70,419
Treasury shares		(233)		(209)
Total shareholders' equity		76,805		78,543
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		350		260
Foreign currency translation adjustment		178		89
Total accumulated other comprehensive income		529		350
Non-controlling interests		69		-
Total net assets		77,404		78,893
Total liabilities and net assets		248,260		246,139

(2) Semi-annual consolidated statements of income and semi-annual consolidated statements of comprehensive income
(Semi-annual consolidated statements of income)

(Millions of yen)

	1H FY 2024 (From April 1, 2023 to September 30, 2023)	1H FY 2025 (From April 1, 2024 to September 30, 2024)
Net sales	202,850	218,620
Cost of sales	167,044	180,340
Gross profit	35,806	38,279
Selling, general and administrative expenses	*1 33,231	*1 33,178
Operating profit	2,574	5,101
Non-operating income		
Hoard profit of prepaid card	1,778	2,394
Other	141	142
Total non-operating income	1,920	2,536
Non-operating expenses		
Interest expenses	11	12
Share of loss of entities accounted for using equity method	45	2
Other	81	16
Total non-operating expenses	138	32
Ordinary profit	4,356	7,605
Extraordinary income		
Gain on sale of investment securities	163	—
Gain on sale of shares of subsidiaries and associates	9	121
Other	0	11
Total extraordinary income	173	133
Extraordinary losses		
Loss on retirement of non-current assets	49	33
Loss on sale of shares of subsidiaries and associates	—	14
Expenses related to voluntary retirements	*2 —	*2 1,764
Other	—	19
Total extraordinary losses	49	1,831
Profit before income taxes	4,480	5,906
Income taxes - current	1,029	833
Income taxes - deferred	714	1,277
Total income taxes	1,744	2,110
Profit	2,736	3,795
Profit (loss) attributable to non-controlling interests	(104)	3
Profit attributable to owners of parent	2,840	3,792

(Semi-annual consolidated statements of comprehensive income)

(Millions of yen)

	1H FY 2024 (From April 1, 2023 to September 30, 2023)	1H FY 2025 (From April 1, 2024 to September 30, 2024)
Profit	2,736	3,795
Other comprehensive income		
Valuation difference on available-for-sale securities	16	(90)
Foreign currency translation adjustment	164	(88)
Share of other comprehensive income of entities accounted for using equity method	2	—
Total other comprehensive income	183	(178)
Comprehensive income	2,919	3,616
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,987	3,613
Comprehensive income attributable to non-controlling interests	(67)	3

(3) Semi-annual consolidated statements of cash flows

(Millions of yen)

	1H FY 2024 (From April 1, 2023 to September 30, 2023)	1H FY 2025 (From April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Profit before income taxes	4,480	5,906
Depreciation	1,332	1,334
Amortization of goodwill	655	494
Increase (decrease) in refund liability	(13)	(14)
Increase (decrease) in provision for bonuses	83	(161)
Increase (decrease) in retirement benefit liability	(3)	(55)
Increase (decrease) in years of service gratuity reserve provisions	1	(115)
Share of loss (profit) of entities accounted for using equity method	45	2
Expenses related to voluntary retirements	—	1,764
Loss (gain) on sale of shares of subsidiaries and associates	(9)	(107)
Loss (gain) on sale of investment securities	(163)	—
Decrease (increase) in trade receivables	2,904	6,869
Decrease (increase) in accounts receivable - other	1,848	1,646
Decrease (increase) in inventories	2,991	1,715
Decrease (increase) in operational investment securities	—	(20,705)
Decrease (increase) in guarantee deposits	(2,710)	12,880
Increase (decrease) in trade payables	(2,214)	(1,005)
Increase (decrease) in accounts payable - other	(1,216)	(1,727)
Increase (decrease) in card deposits	(3,002)	1,408
Other, net	876	(648)
Subtotal	5,886	9,481
Interest and dividends received	12	17
Interest paid	(11)	(13)
Income taxes refund (paid)	(1,069)	(1,626)
Net cash provided by (used in) operating activities	4,818	7,858
Cash flows from investing activities		
Decrease (increase) in time deposits	—	2,000
Purchase of property, plant and equipment	(1,285)	(599)
Purchase of intangible assets	(901)	(1,087)
Proceeds from sale of investment securities	171	—
Purchase of investment securities	(50)	(49)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	84
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(317)
Other, net	725	370
Net cash provided by (used in) investing activities	(1,339)	399
Cash flows from financing activities		
Repayments of long-term borrowings	(1,959)	(1,871)
Dividends paid	(2,092)	(2,093)
Dividends paid to non-controlling interests	(5)	(1)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(61)
Proceeds from sale and leaseback transactions	45	317
Repayments of lease liabilities	(13)	(176)
Other, net	(5)	(0)
Net cash provided by (used in) financing activities	(4,029)	(3,887)
Effect of exchange rate change on cash and cash equivalents	61	33
Net increase (decrease) in cash and cash equivalents	(489)	4,404
Cash and cash equivalents at beginning of period	45,652	43,022
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	789	15
Cash and cash equivalents at end of period	* 45,952	* 47,443

(4) Notes to semi-annual consolidated financial statements

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in scope of consolidation or of application of the equity method)

(Changes in scope of consolidation)

In 1H FY 2025, TG Farm Inc., previously a non-consolidated subsidiary accounted for by the equity method, has been included in the scope of consolidation due to its increased significance.

In 1H FY 2025, MOBILETRUST CO., LTD., previously a consolidated subsidiary, has been excluded from the scope of consolidation because it merged with the Company.

In 1H FY 2025, Relay2, Inc. and three other companies, which were previously consolidated subsidiaries, have been excluded from the scope of consolidation because all shares of the companies have been sold.

In 1H FY 2025, V-Growth Co., Ltd., previously a consolidated subsidiary, has been excluded from the scope of consolidation because some of its shares have been sold.

(Changes in scope of application of the equity method)

In 1H FY 2025, TG Farm Inc., previously a non-consolidated subsidiary accounted for by the equity method, has been excluded from the scope of application of the equity method because it has been included in the scope of consolidation.

In 1H FY 2025, V-Growth Co., Ltd., previously a consolidated subsidiary, has been included in the scope of application of the equity method because some of its shares have been sold.

(Notes on changes to accounting policies)

(Application of "Accounting Standard for Current Income Taxes," etc.)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; below, "Revised 2022 Accounting Standard"), etc. were applied from the beginning of 1H FY 2025.

Revisions regarding the classification of income taxes, etc. (taxation on other comprehensive income) are in accordance with the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised 2022 Accounting Standard and the proviso of Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; below, "Revised 2022 Guidance"). This change in accounting policy has no impact on the semi-annual consolidated financial statements.

In addition, the Revised 2022 Guidance was applied from the beginning of 1H FY 2025 for amendments related to the revised treatment in consolidated financial statements of the deferral for tax purposes of gains or losses on sales of shares of subsidiaries, etc. arising from the sale of shares among consolidated companies. This change in accounting policy has been applied retrospectively, and the semi-annual consolidated financial statements and consolidated financial statements for the previous first half and the previous fiscal year are presented after retrospective application. This change in accounting policy has no impact on the semi-annual consolidated financial statements for the first half of the previous fiscal year or the consolidated financial statements for the previous fiscal year.

(Additional information)

(Tender offer)

At the Company's Board of Directors meeting held on September 30, 2024, it resolved to state its opinion in favor of the tender offer (hereinafter referred to as the "Tender Offer") for the common stock of the Company (hereinafter referred to as the "Shares of the Company") by K.K. BCJ-82-1 (hereinafter referred to as the "Tender Offeror") and to leave the decision on whether or not to apply for the Tender Offer to the discretion of the Company's shareholders.

The aforementioned resolution of the Company's Board of Directors was made on the assumption that (1) the Tender Offeror intends to make the Company a wholly-owned subsidiary of the Tender Offeror through the Tender Offer by the Tender Offeror, a self-tender offer by the Company commenced on the condition that the Tender Offer is concluded, etc. (hereinafter referred to as the "Self-Tender Offer"), and a series of procedures planned subsequent to the Tender Offer and the Self-Tender Offer, and; on the assumption that (2) the Shares of the Company will be delisted.

1. Outline of the Tender Offeror

(1) Name	K.K. BCJ-82-1
(2) Location	Palace Bldg. 5F, 1-1-1 Marunouchi, Chiyoda-ku, Tokyo
(3) Name and title of representative	Yuji Sugimoto, Representative Director
(4) Business description	To control and manage the Company's business activities by holding the Shares of the Company
(5) Capital	5,000 yen
(6) Date of establishment	August 13, 2024
(7) Major shareholders and shareholding ratios	K.K. BCJ-82-2 (shareholding ratio: 100.00%)
(8) Relationship between the Company and the Tender Offeror	
Capital relationship	Not applicable.
Personnel relationship	Not applicable.
Business relationship	Not applicable.
Status of applicability to related parties	Not applicable.

2. Outline of the Tender Offer

(1) Purchase period

From October 1, 2024 through November 20, 2024 (35 business days)

- (2) Purchase price, etc.
2,670 yen per share of the Company

- (3) Number of share certificates, etc. to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
16,386,305 shares	7,076,300 shares	- shares

The Tender Offeror has set the minimum number of shares to be purchased at 7,076,300 shares in the Tender Offer, and the Tender Offeror will not purchase all of the tendered share certificates if the total number of tendered share certificates is less than the minimum number of shares to be purchased.

(Notes on the semi-annual consolidated balance sheets)

*1. Offsetting of trade receivables/payables

Financial assets and liabilities are presented after offsetting in the semi-annual consolidated balance sheets if they are monetary claims and obligations to the same party and meet the requirements that the offsetting is legally valid and that the Company has ability to offset as well as the intention to settle through offsetting.

The amounts before offsetting are as follows.

(Millions of yen)

	FY 2024 (As of March 31, 2024)	1H FY 2025 (As of September 30, 2024)
Notes and accounts receivable - trade	62,877	49,956
Accounts receivable - other	29,308	25,156
Accounts payable - trade	44,250	37,830
Accounts payable - other	36,294	32,912

*2. Assets deposited in accordance with the Payment Services Act are as follows.

(Millions of yen)

	FY 2024 (As of March 31, 2024)	1H FY 2025 (As of September 30, 2024)
Operational investment securities	15,500	36,156
Guarantee deposits	79,170	66,290

*3. Breakdown of inventories is as follows.

(Millions of yen)

	FY 2024 (As of March 31, 2024)	1H FY 2025 (As of September 30, 2024)
Merchandise	24,220	22,017
Work in process	—	292
Supplies	40	33
Total	24,260	22,343

(Notes on the semi-annual consolidated statements of income)

*1. Major items and figures among selling, general and administrative expenses are as follows.

(Millions of yen)

	1H FY 2024 (from April 1, 2023 to September 30, 2023)	1H FY 2025 (from April 1, 2024 to September 30, 2024)
Remuneration for directors (and other officers)	122	100
Employees' salaries	10,197	10,448
Temporary staff wages	594	484
Provision for bonuses	2,196	1,905
Retirement benefit expenses	164	174
Years of service gratuity reserve provisions	47	6
Dispatched staff wages	2,335	2,208
Promotion expenses	4,583	5,523
Rent expenses on real estate	2,733	2,475
Depreciation	1,191	1,147
Amortization of goodwill	655	494
Allowance for doubtful accounts carried forward	(2)	(3)

*2. Expenses related to voluntary retirements

1H FY 2024 (from April 1, 2023 to September 30, 2023)

Not applicable.

1H FY 2025 (from April 1, 2024 to September 30, 2024)

This includes extra retirement payments and expenses for outplacement support, etc. paid to retirees upon solicitation of voluntary retirees.

(Notes on the semi-annual consolidated statements of cash flows)

* Reconciliation of the closing balance of cash and cash equivalents and related accounts on the semi-annual consolidated balance sheets is as follows.

	(Millions of yen)	
	1H FY 2024 (from April 1, 2023 to September 30, 2023)	1H FY 2025 (from April 1, 2024 to September 30, 2024)
Cash and deposits	47,952	47,443
Time deposits with maturity over 3 months	(2,000)	—
Cash and cash equivalents	45,952	47,443

(Notes on segment information, etc.)

[Segment information]

I Summary of reportable segments

Reportable segments of the Group are structural units of the Company for which segregated financial information is available and which are periodically reviewed to enable the Board of Directors to make decisions on the allocation of management resources and assess operating performance.

The Group has three reportable segments — Consumer Business Segment, Enterprise Business Segment, and Social Innovation & QUO Card Business Segment — which are structured by industry segmentation.

[Consumer Business Segment]

The Consumer Business Segment engages in contract mediation for mobile and other telecommunications services, mobile phone distribution services, smartphone accessory sales, wholesaling and other retail businesses.

[Enterprise Business Segment]

The Enterprise Business Segment engages in contract mediation and provision of mobile telecommunications services and various other services for enterprise clients, introduction support for various devices and services, and operations, maintenance, and collection services.

[Social Innovation & QUO Card Business Segment]

The Social Innovation & QUO Card Business Segment engages in the provision of payment services, healthcare, and support services for resolving issues in local communities, as well as the issuance and settlement of QUO CARD and QUO CARD Pay.

II 1H FY 2024 (from April 1, 2023 to September 30, 2023)

1. Information by reportable segment on net sales, profit / loss amounts and information on disaggregation of revenue

(Millions of yen)

	Reportable segments				Other (Note)	Total
	Consumer Business Segment	Enterprise Business Segment	Social Innovation & QUO Card Business Segment	Total		
Net sales						
Mobile devices, etc.	103,902	5,036	—	108,939	—	108,939
Sales commissions of mobile devices, etc.	61,926	4,918	—	66,845	—	66,845
Accessories, etc.	3,882	67	—	3,950	—	3,950
Solution services	—	4,928	—	4,928	—	4,928
TG Hikari & NW related	—	4,325	—	4,325	—	4,325
Prepaid cards, etc.	—	—	5,209	5,209	—	5,209
Sales commissions of prepaid card, etc.	—	—	5,182	5,182	—	5,182
Other	2,894	259	101	3,255	18	3,274
Revenue from contracts with customers	172,606	19,535	10,494	202,635	18	202,654
Other revenue	—	—	196	196	—	196
Sales to external customers	172,606	19,535	10,690	202,832	18	202,850
Intersegment sales or transfers	861	970	51	1,883	1,910	3,793
Total	173,467	20,506	10,741	204,715	1,928	206,644
Segment profit	1,392	318	1,108	2,819	21	2,840

Note: The “Other” segment is a segment for businesses that do not fall under reportable segments and includes the Company’s systems development, operation, and maintenance operations.

2. The difference between total profit or loss of reportable segments and profit or loss reported in the semi-annual consolidated statements of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

(Millions of yen)

Profit	Amount
Reportable segments total	2,819
Profit categorized as “Other”	21
Profit attributable to owners of parent in the semi-annual consolidated statements of income	2,840

3. Matters concerning the impairment loss from non-current assets or goodwill of reportable segments
Not applicable.

III 1H FY 2025 (from April 1, 2024 to September 30, 2024)

1. Information by reportable segment on net sales, profit / loss amounts and information on disaggregation of revenue

(Millions of yen)

	Reportable segments				Other (Note)	Total
	Consumer Business Segment	Enterprise Business Segment	Social Innovation & QUO Card Business Segment	Total		
Net sales						
Mobile devices, etc.	111,924	5,414	—	117,338	—	117,338
Sales commissions of mobile devices, etc.	63,340	5,859	—	69,199	—	69,199
Accessories, etc.	3,650	72	—	3,723	—	3,723
Solution services	—	5,396	—	5,396	—	5,396
TG Hikari & NW related	—	3,733	—	3,733	—	3,733
Prepaid cards, etc.	—	—	10,057	10,057	—	10,057
Sales commissions of prepaid card, etc.	—	—	4,581	4,581	—	4,581
Other	3,699	360	99	4,159	—	4,159
Revenue from contracts with customers	182,614	20,836	14,738	218,190	—	218,190
Other revenue	—	—	430	430	—	430
Sales to external customers	182,614	20,836	15,169	218,620	—	218,620
Intersegment sales or transfers	39	1,302	84	1,426	2,502	3,929
Total	182,654	22,139	15,253	220,047	2,502	222,549
Segment profit (loss)	3,061	533	1,056	4,651	(858)	3,792

Note: The “Other” segment is a segment for businesses that do not fall under reportable segments and includes the Company’s systems development, operation, and maintenance operations.

2. The difference between total profit or loss of reportable segments and profit or loss reported in the semi-annual consolidated statements of income for the period under review, and main items responsible for the difference (Matters concerning difference adjustment)

	(Millions of yen)
Profit	Amount
Reportable segments total	4,651
Loss categorized as “Other”	(858)
Profit attributable to owners of parent in the semi-annual consolidated statements of income	3,792

3. Changes in reportable segments, etc.

(Change of name in information that disaggregates revenue from contracts with customers)

The names “Smart device,” “Fees related to smart device,” and “Own solution services” have been changed to “Mobile devices, etc.,” “Sales commissions of mobile devices, etc.,” and “solution services” effective from 1H FY 2025 for the purpose of using names that are easier for stakeholders to understand. This change is a change in name and has no impact on information that disaggregates revenue from contracts with customers. 1H FY 2024 is also presented using the new names.

(Changes in reportable segments, etc.)

The Group previously reported the three reportable segments of “Consumer Mobile Business Segment,” “Enterprise Solutions Business Segment,” and “Smart Life & QUO Card Business Segment,” but these names have been changed to “Consumer Business Segment,” “Enterprise Business Segment,” and “Social Innovation & QUO Card Business Segment” effective from 1H FY 2025. In addition, some business segments were transferred in conjunction with the above change.

- The accessory-related business, which had belonged to the “Social Innovation & QUO Card Business Segment,” was transferred to the “Consumer Business Segment.”
- The renewable energy business, which had belonged to the “Social Innovation & QUO Card Business Segment,” was transferred to the “Enterprise Business Segment.”

The segment information for 1H FY 2024 is also presented based on the classification after this change.

4. Matters concerning the impairment loss from non-current assets or goodwill of reportable segments

Not applicable.

(Business combinations)

(Transfer of subsidiary shares)

1. Overview of the share transfer

(1) Name of the counterparty to the share transfer

Relay2 Investment LLC

(2) Overview of the transferred subsidiary

Name: Relay2, Inc. (hereinafter referred to as “Relay2”)

Business description: Development and sales of cloud Wi-Fi solutions with edge computing

Capital: 64,169,000 US dollars

(3) Reasons for the share transfer

In November 2019, the Company entered into a capital and business alliance with Relay2 and made Relay2 a consolidated subsidiary in April 2022 for the purpose of expanding its business domains utilizing edge computing and other technologies in the Enterprise Business Segment. However, in the fiscal year ended March 31, 2024, Relay2’s edge computing business, one of its core areas, fell short of the initially anticipated business plan, and as a result of examining the possibility of future recovery and other factors, the Company recorded an impairment loss on goodwill and other assets for the fiscal year ended March 31, 2024.

After discussing future business continuity and other matters with Relay2 and its major shareholders, the Company has decided to sell its shares to Relay2 Investment LLC, a major shareholder of Relay2, and withdraw from the Relay2 business. The Company’s policy is to continue to expand its products and services in business for enterprise clients.

(4) Share transfer execution date

May 2, 2024

(5) Overview of other transactions, including legal form

Share transfer with cash as consideration received

2. Overview of accounting treatment implemented

(1) Loss on sale of shares of subsidiaries and associates: 14 million yen

(2) Fair carrying amount of the assets and liabilities pertaining to the transferred subsidiary and the main components thereof

Current assets	163 million yen
Non-current assets	6
Total assets	170
Current liabilities	512
Total liabilities	512

(3) Accounting treatment

The difference between the consolidated carrying amount of Relay2 and the sales price of shares has been recorded as loss on sale of shares of subsidiaries and associates under extraordinary losses.

3. Reportable segments encompassing business of the transferred subsidiary

Enterprise Business Segment

4. Estimated amount of profit or loss pertaining to the transferred subsidiary, which is recorded in the semi-annual consolidated statements of income for 1H FY 2025

Because the beginning of 1H FY 2025 has been deemed the transfer date, the profit or loss pertaining to the transferred subsidiary is not included in the semi-annual consolidated statements of income for 1H FY 2025.

(Revenue recognition)

Breakdown of revenue from contracts with customers is as described in “Notes on segment information, etc.”